

2006-2007 PERFORMANCE PLAN – SENIOR INVESTMENT OFFICER, ASSET ALLOCATION AND RISK MANAGEMENT (PINKOS)

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
45%	Total Fund Performance	Excess return in basis points relative to total fund performance benchmark (SJ1C-CPERSTOT)	-40 basis points = 0 0 basis points = 1.0 +20 basis points = 1.5
45%	Subtotal	Quantitative Measures	

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
25%	Asset Allocation	1) Conduct commodities workshop by 9/30/06 -Complete follow-up recommendation by 12/31/06 2) Research and be prepared for implementation of GASB 43/45 by 3/31/07 3) Assess merits of CalPERS investments in global inflation linked bonds (linkers) and timber by 12/31/06 4) In collaboration with other units, recommend an implementation framework for commodity futures, linkers, and timber 5) Prepare for Asset/Liability Management workshop 6) Review and test Decision Factors by 12/31/06 7) Research pros/cons of creating global equity asset class by 3/31/07	From Schedule
15%	Risk Analysis	1) Perform detailed risk-return analysis of CalPERS private equity portfolios to improve decision-making by 3/31/07 2) Monitor and report on early warning indicators to the CIO by 6/30/07 3) Improve proxy for new non-core real estate strategies reflecting the real estate Strategic Plan by 3/31/07 4) Implement within RMS improved hedge fund risk modeling by 6/30/07 5) Evaluate a tool (continuous VaR) to measure the maximum expected loss (low water mark) of the Fund over the next year by 3/31/07	From Schedule

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Qualitative Performance Measures - Continued

Weight	Factor	Performance Measure	Incentive Schedule
15%	Leadership	Demonstrate leadership within CalPERS and in the external investment community. Dimensions include leadership: <ul style="list-style-type: none"> • Within Investment Group • Trustees • CalPERS • External Investment Community • Diversity • Succession Plan • Strategic Plan 	Score (0 – 10) 0 = 0 5 = 1.0 10 = 1.5
55%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	

Supervisor's Approval: Original signed by Russell Read

Date: June 7, 2006